EDUCATION INFRASTRUCTURE FINANCING CORPORATION

619-2350 Albert Street, Regina, Saskatchewan S4P 4A6
Telephone: 787-1340
Fax: 787-8493

June 26, 2003

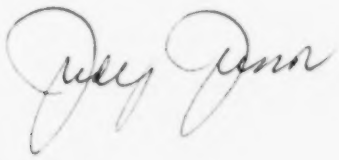
Re: Report on Creation of Crown Corporation

In accordance with subsection 15(3) of *The Crown Corporations Act, 1993*, I am tabling the following information to confirm the creation of the Education Infrastructure Financing Corporation.

Name of the Corporation: Education Infrastructure Financing Corporation

Objects and Purposes of the Corporation: The Education Infrastructure Financing Corporation was established to assist education institutions in financing their capital requirements.

Location of the Head Office: The Corporation does not have a head office, as it does not have any employees. The Corporation is administered by using the services of existing employees of the Department of Finance and the Department of Learning.



Judy Junor

EDUCATION INFRASTRUCTURE FINANCING CORPORATION

2002-03 ANNUAL REPORT

103-06557/

EDUCATION INFRASTRUCTURE FINANCING CORPORATION

ANNUAL REPORT

FOR THE YEAR ENDED MARCH 31, 2003

LETTER OF TRANSMITTAL

Regina, Saskatchewan
June 26, 2003

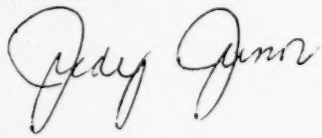
To Her Honour
The Honourable Lynda M. Haverstock
Lieutenant Governor of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the Annual Report of the Education Infrastructure Financing Corporation for the year ended March 31, 2003, in accordance with **The Crown Corporations Act, 1993.** The financial statements included in this Annual Report are in the form approved by the Treasury Board and have been duly certified by the Corporation's auditors.

I have the honour to be, Madam,

Your obedient servant,



Judy Junor
Minister of Learning
And Minister Responsible
Education Infrastructure Financing Corporation

EDUCATION INFRASTRUCTURE FINANCING CORPORATION

BOARD OF DIRECTORS

Honourable Judy Junor
Chairperson

Honourable Jim Melenchuk

OFFICERS

Mr. Rae Haverstock
General Manager

Ms. Denise Macza
Assistant General Manager

Mr. Jim Fallows
Treasurer

EDUCATION INFRASTRUCTURE FINANCING CORPORATION

HISTORY AND CURRENT HIGHLIGHTS – 2003

The Education Infrastructure Financing Corporation (the Corporation) was established to lend money to boards of education, conseil scolaire, regional colleges, the Saskatchewan Institute of Applied Science and Technology, the University of Regina and the University of Saskatchewan for the purpose of financing their capital expenditures.

During 2002-03, the Corporation signed 35 agreements with 18 educational institutions and the Department of Learning. These agreements provide for funding of $64.3 million for terms ranging from 5-30 years. Of these amounts, 22 loans were provided to 10 educational institutions by March 31, 2003. The amount of these loans was $38.2 million.

The Corporation provides financing to educational institutions at the Government of Saskatchewan's cost of financing, plus a small mark-up to cover administrative costs and to address interest rate risk faced by the Corporation. As a result, the Corporation expects to operate at very close to a break-even basis in 2003-04 and for the foreseeable future. The Corporation recorded a surplus of $0.2 million in 2002-03.

The Education Infrastructure Financing Corporation is administered by a Board of Directors through the use of staff and facilities provided by the Department of Finance. The Corporation incurred $3 thousand of administrative expenses in 2002-03. These expenses were for audit fees. The Directors of the Education Infrastructure Financing Corporation do not receive fees and, with the exception of interest paid on borrowed funds, the Corporation had no other expenses in the current year.

A table showing a detailed listing of loans issued in the current year is presented on page 4.

EDUCATION INFRASTRUCTURE FINANCING CORPORATION

TABLE OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2003

	2003 (thousands of dollars)
Value of loan agreements signed by the Corporation	$ 64,270
Loan commitments outstanding at the year end	26,282
	37,988
Accrued interest on projects that have not reached substantial completion (note 3)	191
Loans to educational institutions	$ 38,179

LOANS ISSUED IN 2002-03
(thousands of dollars)

Estevan S.D. No. 95 – Hillcrest Elementary School	$ 1,912
Gull Lake S.D. No. 76 – Gull Lake School	161
Kindersley S.D. No. 34 – Kindersley Composite School	1,704
Kindersley S.D. No. 34 – Westcliffe School	148
North West Roman Catholic S.D. No. 16 – Ecole Monseignor Blaise Morand	382
Prairie West Regional College	217
Saskatchewan Rivers S.D. No. 119 – Redwing School	148
Saskatchewan Rivers S.D. No. 119 – Westview School	832
Yorkton Roman Catholic S.D. No. 86 – Sacred Heart School	1,639
SIAST	1,511
University of Saskatchewan – Various projects	19,429
University of Regina – Various projects	10,096
	$ 38,179

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management has prepared the financial statements of the Education Infrastructure Financing Corporation in accordance with Canadian generally accepted accounting principles. Management is responsible for the reliability and integrity of the financial statements and all other information contained in this Annual Report.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, management maintains appropriate systems of internal controls, policies and procedures to provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Corporation.

E.J.C.Dudley & Co., the Corporation's external auditors, have reviewed the systems of internal control and audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express their opinion on the financial statements. Their report appears on the following page.

The financial statements have been examined and approved by the Board of Directors.

Rae Haverstock
General Manager

Jim Fallows, CA
Treasurer

June 26, 2003

AUDITOR'S REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of financial position of the Education Infrastructure Financing Corporation as at March 31, 2003 and the statements of income and reinvested earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Canada
May 15, 2003

E. J. C. Dudley & Co.
Chartered Accountants

EDUCATION INFRASTRUCTURE FINANCING CORPORATION

STATEMENT OF FINANCIAL POSITION

As at March 31

	2003
	(thousands of dollars)
ASSETS	
Current Assets	
Interest receivable	$ 377
Loans receivable within one year (Note 3)	2,203
Deferred charges	5
	2,585
Loans receivable from educational institutions (Note 3)	35,976
Deferred Charges	41
	$ 38,602
LIABILITIES AND PROVINCE'S EQUITY	
Current Liabilities	
Interest payable and accrued liabilities	$ 191
Short term debt (Note 5)	20,840
	21,031
Long term debt (Note 5)	17,384
Province of Saskatchewan's Equity	
Reinvested earnings	187
	$ 38,602

(See accompanying notes)

EDUCATION INFRASTRUCTURE FINANCING CORPORATION

STATEMENT OF INCOME AND REINVESTED EARNINGS

For the Year Ended March 31

	2003
	(thousands of dollars)
Revenue	
Interest income – loans to educational institutions	$ 564
Interest income – short term investments and cash balances	3
	567
Expenses	
Interest on debt	377
Administration	3
	380
Net income	187
Reinvested earnings, beginning of year	0
Reinvested earnings, end of year	$ 187

(See accompanying notes)

EDUCATION INFRASTRUCTURE FINANCING CORPORATION

STATEMENT OF CASH FLOWS

For the Year Ended March 31

	2003
	(thousands of dollars)
Operating Activities	
Net income	$ 187
Net change in non-cash working capital balances related to operations:	
(Increase) in interest receivable	(377)
Increase in interest payable and accrued liabilities	191
Cash provided by operating activities	1
Investing Activities	
Loans to educational institutions	(38,179)
Cash (used in) investing activities	(38,179)
Financing Activities	
Increase in long term debt	17,384
Increase in deferred charges	(46)
Cash provided by financing activities	17,338
Net (decrease) in cash during the year	(20,840)
Cash and cash equivalents (short term debt), beginning of year	0
Cash and cash equivalents (short term debt), end of year	$ (20,840)

(See accompanying notes)

Additional Information:

Interest received during 2002-03 was $0.1 million
Interest paid during 2002-03 was $0.3 million

EDUCATION INFRASTRUCTURE FINANCING CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2003

1. Significant Accounting Policies

The Corporation's accounting policies are in accordance with Canadian generally accepted accounting principles. The following are considered to be significant:

Deferred Charges

Deferred charges include costs and net discounts or premiums incurred on the issue of long term debt. They are recorded at cost and are amortized as part of interest expense over the life of the related debt issue on a straight-line basis.

Market Value of Short term Financial Instruments

For certain of the Corporation's financial instruments, the carrying amounts approximate fair value due to the immediate or short term maturity of these financial instruments. These short term financial instruments include interest receivable, loans receivable within one year, interest payable and accrued liabilities, and debt payable within one year.

2. Status of the Corporation

The Education Infrastructure Financing Corporation was established in 2002 pursuant to the provisions of **Order-in-Council 243/2002**. The Corporation's objective is to assist educational institutions in financing their capital requirements.

The Corporation is a Provincial Crown corporation and is therefore not subject to Federal or Provincial income tax but is subject to Provincial corporation capital tax.

3. Loans Receivable from Educational Institutions

The Corporation lends money to educational institutions for capital projects in accordance with loan agreements. Until projects reach substantial completion, loans bear interest at a floating rate that is linked to the Corporation's cost of borrowing for a one-year period. Interest is compounded monthly and is added to the principal of the loans.

Upon reaching substantial completion, loans are assigned a fixed rate of interest that is linked to the Corporation's cost of borrowing for the term of the loan. The term of the loan is based on the expected useful life of the underlying project.

Each loan agreement states that the Department of Learning undertakes to pay the Corporation, on behalf of the borrower, grants equal to the semi-annual installments of principal and interest payable on the loan. The borrower irrevocably authorizes and directs the Department of Learning to pay semi-annual amounts to the Corporation on its behalf to be applied in payment of principal and interest.

3. Loans Receivable from Educational Institutions (continued)

The Corporation has provided 22 loans to 10 educational institutions. The loans have a weighted average interest rate of 5.34% and maturity dates ranging from 2003 through 2033.

The loan amount by issuer category is as follows:

	2003 (thousands of dollars)
School Divisions	$ 6,926
SIAST and Regional Colleges	1,728
Universities	29,525
	38,179
Receivable within one year	2,203
	$ 35,976

The fair value of these loans is $39.3 million. This fair value is determined by discounting the loans' future cash flows using investment rates presently available to the Corporation for investments with similar terms and remaining maturity, less costs of settlement.

4. Related Party Transactions

Included in these financial statements are transactions with the General Revenue Fund and various educational institutions related to the Corporation by virtue of common control or significant influence by the Government of Saskatchewan. Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

Other than the administrative costs included in the statement of income and reinvested earnings, no material additional costs were incurred to administer the Corporation, as the Department of Finance and the Department of Learning administered the Corporation by using the services of existing employees. The Corporation has not been allocated any costs associated with the services of these employees.

5. Debt

Maturity Date	Rate (%)	2003 (thousands of dollars)
General Revenue Fund		
December 3 2012	5.25	10,000
December 1, 2022*	5.97	1,700
March 1, 2023*	5.84	5,684
		17,384
Repayment required within one year		0
Total long term debt		$ 17,384

* Certain issues owing to the General Revenue Fund (GRF) in the amount of $7.384 million are subject to redemption by the GRF on six months notice. The GRF has notified the Corporation that it does not intend to redeem these issues prior to maturity during 2003-04. These debentures are also callable on 30 days prior notice at the option of the Corporation.

The fair value of long term debt is $17.2 million. This amount is determined by discounting the debentures' future cash flows using borrowing rates presently available to the Corporation for debt with similar terms and remaining maturity, less costs of settlement.

a) sinking funds

Under conditions attached to the advances from the GRF, the Corporation is required to pay annually into sinking funds administered by the Saskatchewan Department of Finance a minimum of one per cent of the advances outstanding.

b) principal repayments and sinking fund installments

Principal repayments and sinking fund installments due in each of the next five years are as follows (in thousands of dollars):

2004 - $174
2005 - $174
2006 - $174
2007 - $174
2008 - $174

c) short term debt

During 2002-03, the Corporation borrowed funds on a short-term basis from the GRF. At March 31, 2003, an amount of $20,840 thousand was due to the GRF at an interest rate of 3.19%.

6. Interest Rate Risk

The Corporation is exposed to interest rate risk due to the nature of its operations. Interest rate risk is created when the maturity dates of an entity's assets and liabilities are not precisely matched. The following table shows the matching of the Corporation's assets and liabilities:

Year of Maturity	Financial Assets	Financial Liabilities	Difference 2003
		(thousands of dollars)	
2004	$ 2,585	$ 21,031	$ (18,446)
2005	2,330	–	2,330
2006	2,460	–	2,460
2007	2,596	–	2,596
2008	2,740	–	2,740
Thereafter	25,891	17,384	8,507
	$ 38,602	$ 38,415	$ 187

The effective interest rates on the Corporation's assets and liabilities are as follows:

Loans receivable from educational institutions – floating rate	3.92%
Short term debt	3.19%
Loans receivable from educational institutions – fixed rate	5.87%
Long term debt	5.54%

7. Commitments

Prior to March 31, 2003, the Corporation had signed loan agreements with educational institutions and the Department of Learning that would provide a total $64.3 million of loans. Of this amount $38.0 million was provided during 2002-03, leaving $26.3 million to be loaned in future years. The majority of these funds are expected to be loaned in 2003-04.